Power Corporation Superannuation Plan

ANNUAL REPORT 2008

YEAR AT A GLANCE

- A pension benefit increase of 1.99% is declared for 2008, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan.
- Sharp declines in financial markets throughout the world cause pension plans to report declines to their net assets available for benefits.
- Annual benefit statements reflecting basic information are distributed to all active and deferred members.
- The Plan introduces real estate and infrastructure to the overall asset mix.

FACTS

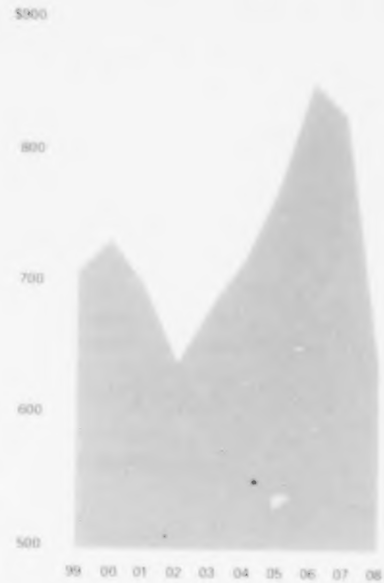
- According to the 2008 Canadian Institutional Investment Network Overview, the Plan is ranked 144th in Canada in net assets and is the 9th largest defined benefit pension plan in Saskatchewan.
- According to the most recent annualized figures reported by the International Monetary Fund, global Gross Domestic Product (GDP) totalled $54.6 trillion USD. Of this total, Canada's GDP represents 2.6% or $1.4 trillion. This is compared to 31.0% or $16.9 trillion for countries in the European Union and 25.3% or $13.8 trillion for the United States. Over 85% of the Plan's assets are represented by these three regions.

MISSION STATEMENT

To provide continuous pension benefits for plan members through prudent stewardship of assets, liabilities and effective plan administration in accordance with current legislation.

FINANCIAL HIGHLIGHTS

(in millions)	2008	2007
Investments, at market		
Short-term securities	$ 6	$ 6
Bonds	224	281
Equities	355	537
Real estate	30	–
Infrastructure	22	–
Receivables	3	3
Cash	1	–
Total assets	641	827
Liabilities	1	1
Net assets available for benefits	640	826
Accrued pension benefits, end of year	717	830
Deficit	$ (77)	$ (4)



NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31
(in millions)

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

(in millions)	2008	2007
Increases:		
Investment income	$ 27	$ 38
Contributions	2	2
	29	40
Decreases:		
Decrease in market value of investments	168	21
Superannuation allowances	45	43
Administration expenses	2	2
	215	66
Change in net assets	$ (186)	$ (26)

SURPLUS (DEFICIT) AT DECEMBER 31
(in millions)

INVESTMENT PERFORMANCE

Rates of return (%)	2008	2007
Plan actual rate of return	(17.7)	2.0
Plan benchmark	(16.3)	0.4
Four-year rolling average return	2.5	10.3
Four-year rolling benchmark	1.5	8.4

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This report summarizes certain provisions of the Power Corporation Superannuation Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Power Corporation Superannuation Plan will govern in all cases.

CHAIR'S MESSAGE

It is my pleasure to present to you the Power Corporation Superannuation Plan Annual Report for the year ending December 31, 2008. It is intended to provide Plan members with relevant information pertaining to their pensions.

Much has been written about what some consider to be the most significant economic downturn that global economies have ever experienced. There are a number of factors that contributed to this decline. While problems in the United States get much of the blame and attention, the impact has been felt by all individuals and institutions that have exposure to financial markets.

As you will see in this report, the Plan reported a significant decline in its asset values in 2008. Net assets available for benefits ended the year at $640 million, a decline of $186 million over the previous year end. It is important to note that $45 million of this decline is the result of benefit payments paid out to Plan members. The remaining $141 million decline is the result of poor investment performance.

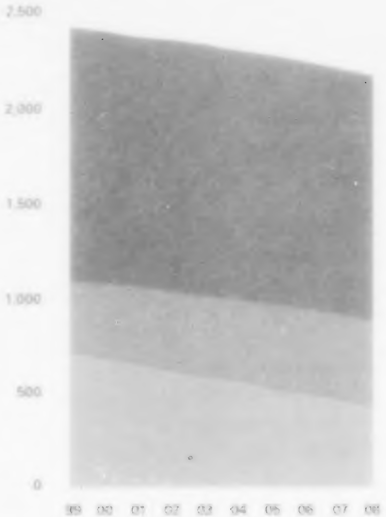
To put this in perspective, it is helpful to review information calculated by the Plan's investment consultant. In 2008, the Plan had a rate of return of -17.7%, compared to the benchmark return of -16.3%. In studying these returns, there are two general observations that can be made. The first is that our Plan is not alone in experiencing declines. Secondly, by closely monitoring the Plan's asset mix, following our rebalancing guidelines and taking a long-term approach to investing, the Plan will be well positioned to benefit from higher returns in the years ahead.

In addition to the regular quarterly Board meetings, one additional meeting was held in 2008 and another in January 2009. These assisted in moving forward the continuing transition of the Plan's asset mix to a more optimal structure as determined in an asset and liability study. During the year, the Board introduced two new asset classes to the Plan — real estate and infrastructure. Not only will this re-allocation provide additional diversification, it should also provide long-term stability to the Plan's asset values and their correlation to the Plan's liabilities.

I would like to thank the Board and the staff of SaskPower for the work they have done during this turbulent time. While the Plan did suffer from a difficult year in terms of investment performance, many significant advancements were achieved. These accomplishments will help the Plan recover in the short-term and position it for long-term prosperity into the future.

Grant Ring

Grant Ring, FCMA
Chair
Power Corporation Superannuation Board



PLAN MEMBERSHIP
(number of members)

SUPERANNUATES AND DEFERRED
SURVIVORS
ACTIVE

PENSIONERS BY AGE

90 AND OVER 3%
80-89 22%
70-79 43%
60-69 27%
59 AND UNDER 5%

PLAN PROFILE

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) of 1950 and *The Superannuation (Supplementary Provisions) Act*. It is maintained by the Saskatchewan Power Corporation (SaskPower) for employees who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

Through the Act, SaskPower guarantees each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Optional pension forms, such as joint life and 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

While asset values declined significantly in 2008, the Plan continues to be financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets totalled $640 million at year-end, a decrease of $186 million over the previous year. Of this total, approximately $385 million or 61% of assets were invested in Canadian bonds and equities, while the remaining 39% was invested in 32 countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

PLAN DEMOGRAPHICS

The Plan has been substantially closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement. The average service time for active members is 34 years.

Approximately 79% of total members are receiving benefits. At December 31, 2008, there were 1,716 receiving a pension, 19 eligible for a deferred pension and 424 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy or other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions are required to make contributions at a rate recommended by the Plan actuary.

Both members and employers (SaskPower and designated institutions) have contributed to funding. In 2008, the Plan received contributions of approximately $2 million, the majority of which were made by employees. Since inception, the cumulative total of employer contributions is 53%, or $129 million; the cumulative total of employee contributions is 47%, or $116 million.

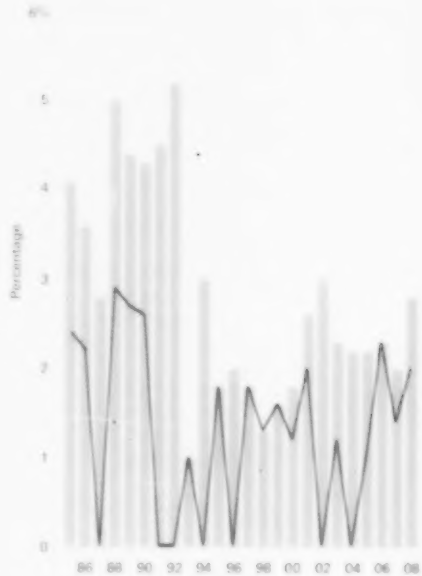
During the year, the Plan paid $45 million in benefits, compared to $43 million in 2007. The following is a breakdown of various levels of pension income and the number of Plan members at each level.

PLAN ANNUAL PENSION AMOUNTS

Annual pension	Number of plan members	
	December 31, 2008	December 31, 2007
0 - $ 9,999	183	209
$10,000 - $19,999	419	426
$20,000 - $29,999	576	584
$30,000 - $39,999	280	267
$40,000 - $49,999	141	125
$50,000 - $59,999	55	49
$60,000 - $69,999	34	29
$70,000 +	28	25
	1,716	1,714
Average annual pension	$26,514	$25,591
Median annual pension	$24,981	$24,293

At minimum, an actuarial valuation for funding purposes is prepared every three years. It ensures that Plan assets and contribution levels are adequate to provide long-term benefits. As the corporation responsible for providing retirement benefits, SaskPower uses this valuation to determine its funding requirements.

As the Plan continues to mature, the ratio of active members to pensioners will continue to decline. This maturation is also evident in the increasing cost of pensions compared to contributions, making the Plan more reliant on investment returns.



PENSION BENEFIT INCREASE

CHANGE IN THE SASK CONSUMER PRICE INDEX (PRIOR YEAR)

PENSION BENEFIT INCREASE

SIGNIFICANT EVENTS

During 2008, benefit statements were distributed for the year ending December 31, 2007, to all active and deferred members. These statements reflect basic pension information and are expected to be distributed annually.

In the fall of 2006, the provincial government introduced legislation to set indexing of the Power Corporation Superannuation Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 1.99% was granted in 2008.

While the Plan's overall return in 2008 underperformed its benchmark, the Plan's investment managers continue to add value over a four-year and 10-year cycle.

In 2008, the Plan introduced two new asset classes to its asset mix – infrastructure and real estate. This decision was based on an asset/liability study completed in 2007. It is expected that these two asset classes will provide additional diversification and reduce some volatility in the value of the Plan's assets.

Effective January 1, 2009, superannuate pension payments are being made through RBC Dexia Investor Services. In addition, the administration of member benefits was transitioned to the Public Employees Benefits Agency (PEBA). For active members, the transition is expected to take place in spring 2009.

PLAN GOVERNANCE

The Power Corporation Superannuation Plan Board is responsible for the overall governance and administration of the Plan. Board members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The priority of the Board is to ensure that all members receive the secure benefits to which they are entitled. To deliver this pension promise, the Board serves as a vital check to verify that the Plan's assets are managed prudently. Board Members are required to ensure compliance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

The Board selects the Plan's actuary, custodian and investment managers, and sets the investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks, reviewing performance of investment managers; and adopting procedures that provide effective communication and maintain the integrity of internal controls. In addition, the Board is responsible for the sound investment and professional administration of the Plan on behalf of members, superannuates and sponsors. It reviews investment policies and performance, evaluates pension liabilities and ensures that financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Board bases its decisions on comprehensive research and input from expert advisors. It also monitors the Plan's overall administration to satisfy itself that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

BOARD COMPOSITION
As at December 31, 2008

Grant Ring
Chair
President
NorthPoint Energy Solutions

Rachelle Verret Morphy
Vice-chair
Acting Vice-president and General Counsel
SaskPower

Robert Haynes
SaskEnergy Representative
Vice-president
Human Resources
SaskEnergy

Ken Pielak
Employee Representative
Communications, Energy and Paperworkers (CEP)
SaskEnergy

Dairen Beblow
Acting Treasurer
SaskPower

Brian Ross
Employee Representative
International Brotherhood of Electrical Workers (IBEW)
SaskPower

Jack Shepherd
Superannuate Representative
Power Pioneers Association Inc.

Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is also important they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, an annual training and development budget of $42,000 was established for the Board. These fees are paid by the Plan. In 2008, Board Member training costs totalled $16,912.

These costs do not include any Board Member training paid for by SaskPower or any other institution. Board Members do not receive compensation for their services. However, they are reimbursed for travel-related expenses by their employer.

Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. The Corporation's management is expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff are involved in monitoring the activities of the investment managers and reviewing the asset mix. They also serve as the primary contacts for member inquiries. SaskPower management reports to the Board on a regular basis, providing details of financial transactions, investments, retirement benefit activity and overall performance.

INDEPENDENT EXPERTS

The Plan's Statement of Investment Policies and Goals provides guidelines for investment and monitoring assets. These principles were established to earn the best possible return on investments based on a level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policy outlines a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial, investment and accounting professionals, as well as a custodian.

The Board is required to meet at least annually with the investment advisor and each of the investment managers to discuss performance, strategies and expected future performance. As well, the Board reviews assumptions and valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2008, the Board met quarterly to review financial results, performance and retirement benefit activity.

Investment managers at December 31, 2008, were:

ASSET CLASS	INVESTMENT MANAGER
Canadian equity	Jarislowsky Fraser Limited
Canadian equity, bond and real estate	Greystone Managed Investments Inc.
Global equity	Templeton Management Limited
International equity	Goldman Sachs and Hansberger Global Investors (affiliates of Greystone Managed Investments Inc.)
U.S. S&P 500 equity index	Barclays Global Investors
Infrastructure	Macquarie Capital Markets Canada Limited

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to optimize the risk/return profile for each asset class. The investment managers report results to the Board on a quarterly basis.

Hewitt Associates serves as investment consultant to the fund with the role of providing an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

RBC Dexia Investor Services serves as custodian. In this role, RBC holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the overall statement of investment policies and goals.

Aon Consulting Inc. prepares annual actuarial valuations for accounting purposes, and every three years or as requested, valuations for funding purposes. The actuary also provides the Board with information regarding administration, and makes recommendations related to policies on benefits and funding. The actuarial opinion and cost certificate is found on page 11.

External auditors are contracted to perform annual audits of the Plan's fiscal year-end financial statements prepared by SaskPower. The audit focuses on the existence, completeness and valuation of assets, the measurement of income and expenses, and the fairness of presentation in accordance with Canadian generally accepted accounting principles. In compliance with professional standards, the auditor communicates with the Plan's actuary and reviews the actuarial report for consistency with other information reviewed in the course of the audit.

Deloitte & Touche LLP conducted an independent examination of the Plan's year-end financial statements. The firm's professional opinion on the financial statements is found in its Auditors' Report, attached to the financial statements. On an annual basis, the Provincial Auditor also reviews the financial statements, as well as overall governance, internal controls and legislative compliance.

A pension Communications Committee, comprised of superannuate, union and management representation, helps improve members' understanding of Plan provisions and disseminates information concerning significant legislative changes in a timely manner. During the past eight years, it has distributed the *Pension Update* newsletter to all members on a semi-annual basis.

The Power Corporation Superannuation Plan Annual Report is also provided to all members. Financial statements, investment performance, actuarial valuation assessment and membership profile are among the items highlighted.

INVESTMENT HIGHLIGHTS

The investment objective of the Plan is to meet current and future pension payment obligations. As a result, assets are invested in a diversified portfolio that will generate adequate and consistent returns. The funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.

The Plan has a Statement of Investment Policies and Procedures (SIP&P) approved by members of the Power Corporation Superannuation Plan Board. The policy communicates a philosophy of diversification and protection of capital while providing guidance to investment managers. To ensure diversification and risk control, the policy sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

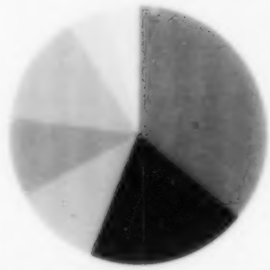
The purpose of the policies is to outline appropriate investment principles and monitoring procedures. It conforms to applicable legislation and specific characteristics of the Plan. At present, the target asset mix is 55% equity, 35% fixed income, 5% real estate and 5% infrastructure. However, the actual mix at any one time may differ from this target due to fluctuations in the market.

The Statement of Investment Policies and Procedures has the following objectives:

- Ensure the Plan has sufficient assets to meet future pension obligations.
- Optimize the risk/return relationship of the Plan.
- Generate sufficient cash flow to meet ongoing pension payments.

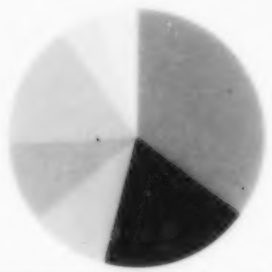
Monitoring performance is a key activity in supporting the investment objectives. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over fixed income investments on the basis of substantial evidence that, over time, equities provide superior returns.

The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10-year period.



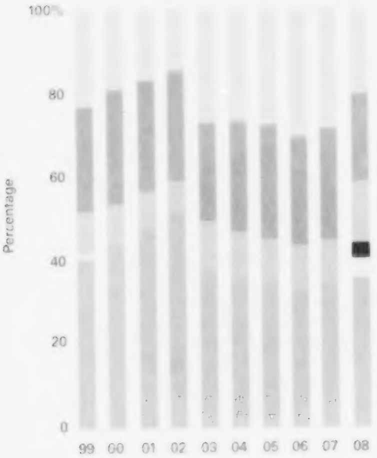
ASSET ALLOCATION 2008
(at market value)

BONDS
U.S. EQUITIES
GLOBAL EQUITIES
INFRASTRUCTURE
CANADIAN EQUITIES
INTERNATIONAL EQUITIES
REAL ESTATE



BENCHMARK PORTFOLIO COMPOSITION

BONDS
DEX Universe Bond Index
U.S. EQUITIES
Standard and Poor's 500 Total Return Index
GLOBAL EQUITIES
Morgan Stanley World Index
CANADIAN EQUITIES
TSX Composite Index
INTERNATIONAL EQUITIES
Morgan Stanley Capital EAFE Index
REAL ESTATE
Investment Property Databank
INFRASTRUCTURE
CPI +5%



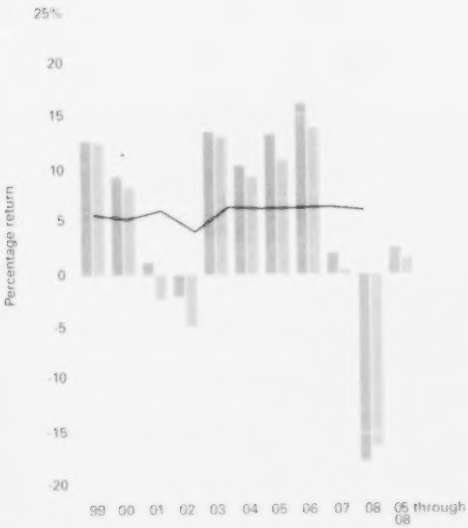
ASSET ALLOCATION 1999-2008

In 2008, the Board selected two new investment managers. To manage the Plan's real estate assets, the Board selected Greystone Managed Investments Inc. These real estate holdings are diversified throughout Canada and are a combination of residential, commercial and industrial properties. To manage infrastructure, the Board selected Macquarie Capital Markets Canada Ltd. This allocation was divided between two funds, one of which invests in Europe and the other in the United States and Canada.

The Plan's performance is measured by comparing its return to the benchmark portfolio. During 2008, the Plan had a rate of return of -17.7%, compared to the benchmark return of -16.3%.

A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. Over the period 2005-2008, the Plan averaged an annual return of 2.5%, compared to the benchmark average of 1.5%. Over the past 10 years, the Plan has averaged an annual return of 5.4% compared to the benchmark of 3.7%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class. Additionally, Plan returns have been achieved at risk levels that are lower than the average pension fund portfolio.



PLAN PERFORMANCE 1999-2008

FINANCIAL HIGHLIGHTS

During the year, the Plan had an overall decline in its assets of approximately $186 million, ending the year with net assets available for benefits totalling $640 million. While this decline is significant, it is important to note that the Plan continues to be well diversified and follows the investment parameters laid out in its Statement of Investment Policies and Procedures (SIP&P). Further to this, the Plan's asset mix at the end of the year was in compliance with the guidelines laid out in the SIP&P.

While all major stock market indices were down in 2008, the Plan was able to benefit slightly from the declining Canadian dollar. The decline in the Canadian dollar versus other major currencies resulted in an unrealized foreign exchange gain of approximately $46 million. This gain offsets a $42 million foreign exchange loss in 2007. To help offset some of the volatility that foreign currency has on the Plan's asset values, the Board will look to hire a currency manager in 2009.

CHANGE IN NET ASSETS (in millions)	2008	2007
Income:		
Investment income	$ 27	$ 38
Decrease in market value of investments	(168)	(21)
Contributions	2	2
	(139)	19
Expenditures:		
Superannuation allowances	45	43
Administration expenses	2	2
	47	45
Change in net assets	**$ (186)**	**$ (26)**

In 2008, the Plan paid approximately $45 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording investments. These fees are based on the market value of assets under management. The cost of these services is 0.28% of the market value of the total assets in 2008, a 0.02% increase from the 2007 rate.

A recent survey prepared by CEM Benchmarking Inc. and received in September 2008, examined the fees paid by pension funds for internal and external investment management services. Based on the results of the survey, the Power Corporation Superannuation Plan fell into the quadrant of "High Value Added & Low Cost." To put this in other terms, the average administrative costs for plans with similar asset values were approximately $0.3 million higher than the administrative expenses paid by this Plan. Being classified as high-cost or low-cost is not necessarily good or bad. The more important question is whether or not a plan is receiving sufficient value for the fees it pays.

ACTUARIAL VALUATION

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge requires a sound financial base. To assess the financial status of the Plan, an actuarial valuation for accounting purposes is performed annually as at December 31.

In 2008, the Plan recognized an actuarial deficit of $77 million for financial statement reporting purposes, compared to a $4 million deficit at the previous year end. The accrued pension benefits decreased by $113 million, due largely to the increase in the discount rate. Net assets available for benefits decreased by $186 million, primarily due to a decrease in the market value of the Plan's investments.

It should be noted that as outlined in the Act, the pensions of all members are guaranteed by SaskPower regardless of the financial performance of assets and funded status of the Plan. Any deficiencies to superannuation allowances will be met by payments from the revenues of SaskPower.

ACTUARIAL SURPLUS	2008	2007
Net assets available for benefits	$ 640	$ 826
Accrued pension benefits	717	830
Deficit	$ (77)	$ (4)

Actuarial methodology and assumptions: In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. This methodology is called a *best estimate actuarial valuation* and it attempts to arrive at the most likely outcome. The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

BEST ESTIMATE VALUATION ECONOMIC ASSUMPTIONS	2008	2007
Discount rate	7.50%	5.75%
Expected rate of return on Plan assets	6.75%	6.75%
Long-term rate of compensation increases	3.50%	3.50%
Long-term inflation rate	2.50%	2.50%
Pension benefit increases (% of CPI)	70.00%	70.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the actuarial valuation:

Retirement age: By assuming a retirement age equal to the earliest age that a member can retire with a reduced pension, the deficit would decrease by $1 million. Although the member would be receiving a pension at an earlier age and not contributing as much into the Plan, the final average salary used in calculating retirement benefits is also lower and results in a decrease to the deficit.

Discount rate: An increase in the discount rate of 0.5% (from 7.50% to 8.00%) would result in a decrease to the deficit of $32 million, as the present value of the necessary bond portfolio to cover the past service liabilities will be reduced.

Salary: A decrease to the real salary increase assumption of 0.5% (from 3.50% to 3.0%) would result in a slight decrease to the deficit. The final average salary at retirement and the level of benefits paid at retirement also decrease.

Inflation: An inflation rate assumption that is 0.5% lower than the assumed rate (2.00% vs. 2.50%) would result in an increase to the deficit of $11 million. A lower inflation rate reduces both the discount rate and future benefit increases. The impact of the lower discount rate, which increases the accrued pension benefits, more than offsets the reductions that result from lower future benefit increases.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the Plan is effectively delayed for two years to age 67. This results in two years worth of increased pension payments, payable from the Plan, thus increasing the past and future service liabilities under the Plan, and increasing the deficit by $4 million.

ACTUARIAL OPINION AND COST CERTIFICATE

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the Board) to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the Plan) as at September 30, 2008, for accounting information purposes based on Section 4100 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The results of this valuation were subsequently extrapolated to December 31, 2008. As part of the valuation and subsequent extrapolation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to management. In addition, we provided management with a statistical survey and other information used to develop its long-term economic assumptions.

The valuation and subsequent extrapolation of the Plan's actuarial liabilities were based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2008;
- methods prescribed by CICA for pension plan financial statements; and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

The objective of the financial statements is to fairly represent the financial position of the Plan on December 31, 2008, as a going concern. The actuarial assumptions used to estimate liabilities of the Plan's financial statements represent management's best estimate of future events. While we do not render a specific opinion on these assumptions, they are not unreasonable when considering the circumstances of the Plan and the purpose of the valuation and subsequent extrapolations. The Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. It is important to note that the valuation and subsequent extrapolation have not been performed for the purposes of assessing the adequacy of the Plan's current funding recommendation nor is it intended to update or replace the Plan's current funding recommendation.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation and we also believe that the methods employed in the valuation extrapolation are appropriate for the purposes of the subsequent valuation. Our opinions have been given, and our valuation extrapolations have been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation and subsequent extrapolation disclosed total actuarial liabilities of $717,342,000 in respect of benefits accrued for service prior to December 31, 2008. The market value of assets at that date was $639,692,000 indicating an accounting actuarial deficit of $77,650,000. The total cost of benefits to be accrued in the 12 months following December 31, 2008, is $6,489,000 as at December 31, 2008.

Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
February 27, 2009

REPORT OF MANAGEMENT

The financial statements of the **Power Corporation Superannuation Plan** are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 27, 2009. The financial information presented elsewhere in the annual report is consistent with that of the financial statements.

Management maintains appropriate systems of internal control which provide assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. These systems include policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these controls and reports its findings to the SaskPower Board of Directors.

The Power Corporation Superannuation Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the external auditors' report have been reviewed and approved by the Board. The external auditors have full and open access to the Board, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Scott Chomos, CMA
Supervisor, Treasury Accounting
SaskPower
February 27, 2009

Troy King, CMA
Controller
SaskPower

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits and accrued pension benefits and deficit of the **Power Corporation Superannuation Plan** as at December 31, 2008, and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficit of the Plan as at December 31, 2008, and the changes in the net assets available for benefits and the changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 27, 2009

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND DEFICIT

(in thousands)

As at December 31	2008	2007
Assets		
Investments, at market *(Note 3)*		
Short-term securities	**$ 5,835**	$ 5,910
Bonds	**224,034**	281,757
Equities	**354,350**	537,173
Real estate	**30,272**	–
Infrastructure	**22,200**	–
	636,691	824,840
Receivables		
Employees' contributions	**41**	43
Sponsors' contributions	**50**	55
Accrued investment income	**2,134**	2,191
Other receivables	**980**	243
	3,205	2,532
Cash	**802**	–
Total assets	**640,698**	827,372
Liabilities		
Accounts payable and other liabilities	**1,006**	1,466
Net assets available for benefits	**$ 639,692**	$ 825,906
Accrued pension benefits and deficit		
Accrued pension benefits	**$ 717,342**	$ 830,041
Deficit	**(77,650)**	(4,135)
Accrued pension benefits and deficit	**$ 639,692**	$ 825,906

See accompanying notes

On behalf of the Board:

Grant Ring

Grant Ring, FCMA
Chair

Darren Beblow

Darren Beblow, CFA
Director

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

For the year ended December 31	2008	2007
Increase in net assets		
Investment income		
Interest		
Short-term securities	**$ 393**	$ 224
Bonds	**13,043**	12,484
	13,436	12,708
Dividends	**12,959**	25,357
	26,395	38,065
Contributions *(Note 1)*		
Employees'	**1,536**	1,663
Sponsors'	**452**	465
	1,988	2,128
Total increase in net assets	**28,383**	40,193
Decrease in net assets		
Decrease in market value of investments *(Note 8)*	**168,273**	20,984
Superannuation allowances	**44,556**	42,767
Administrative expenses *(Note 7)*	**1,768**	2,123
Total decrease in net assets	**214,597**	65,874
Changes in net assets	**(186,214)**	(25,681)
Net assets available for benefits, beginning of year	**825,906**	851,587
Net assets available for benefits, end of year	**$ 639,692**	$ 825,906

See accompanying notes

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

(in thousands)

For the year ended December 31		2008		2007
Increase in accrued pension benefits				
Interest on accrued benefits	$	**45,239**	$	42,874
Benefits accrued		**8,521**		8,770
Experience losses		–		20,429
		53,760		72,073
Decrease in accrued pension benefits				
Changes in actuarial assumptions		**118,036**		38,028
Benefits paid		**44,556**		42,767
Experience gains		**3,867**		–
		166,459		80,795
Accrued pension benefits, beginning of year		**830,041**		838,763
Accrued pension benefits, end of year	**$**	**717,342**	$	830,041

See accompanying notes

1. DESCRIPTION OF THE PLAN

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

b) Members' contributions

Plan members contribute a percentage of their salary at a rate based on the age when they last became a contributor to the Plan and any agreements for an employee group, less a reduction for Canada Pension Plan integration.

An employee makes no further contributions after 35 years of pensionable service.

c) Sponsors' contributions

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant Governor in Council as institutions. For these corporations, an actuary determines the required employer contribution for their active Plan members.

d) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Employees may retire with an early-reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service. Both age and service criteria must be met to be eligible for an early-reduced retirement.

Annual pension benefits are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding calendar year. Increases are subject to the maximum increase permitted under *The Income Tax Act* (Canada).

e) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion. Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance that they would have received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, the amount due to Canada Pension Plan integration, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

f) Deferred allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence an unreduced retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence an unreduced retirement allowance, is at age 60.

g) Refunds and transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest as a lump-sum payment less statutory deductions; as a transfer to their registered retirement savings plan; or as a transfer pursuant to the terms of an existing reciprocal agreement with another registered pension plan. Once a refund or transfer has been processed, the member has no further claim against the Plan.

h) Other benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

i) Income taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to the Canada Revenue Agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

a) Use of estimates

In preparing the Plan financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments and investment related receivables and liabilities. Actual results could differ from those estimates, which may impact the results reported in future periods.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act. For purposes of establishing a value of the Plan's assets, equities are valued using closing market prices. Bonds are valued using mid-market prices and pooled funds are valued based on the closing market price of the underlying investments. Inflation sensitive investments are valued based on independent quarterly appraisals and on the actual cashflows generated from the assets. Transaction costs are included in the statement of changes in net assets available for benefits in the period incurred.

c) Investment income

Investment income consists of interest on bonds and short-term securities (which is recognized as it accrues) and dividend income (which is recognized as of the ex-dividend date).

d) Foreign exchange

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase in market value of investments.

e) Change in accounting policies

Financial instruments – disclosure and presentation

Effective January 1, 2008, the Plan adopted the new Canadian Institute of Chartered Accountants Section 3862, "Financial Instruments – Disclosures," and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The impact of implementing these new standards has been disclosed in *Note 4*.

Capital disclosures

Effective January 1, 2008, the Plan adopted Section 1535, "Capital Disclosures." The adoption of this new standard had no material impact on the Plan's financial statements.

3. INVESTMENTS

Schedule of investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flows to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as Canadian and foreign equities, money market securities, bonds and inflation sensitive investments. In 2008, the Plan's target asset mix was 55% equity, 35% fixed income, 5% real estate and 5% infrastructure. In 2007, the target asset mix was 65% equity, 35% fixed income. The schedule below summarizes the Plan's investments as at December 31:

(in thousands)	2008	2007
Short-term securities		
Canada	$ 5,835	$ 5,910
	5,835	5,910
Bonds		
Government of Canada and federally-guaranteed	40,479	126,531
Provincial and provincially-guaranteed *(Note 6)*	72,921	80,863
Corporate	110,634	74,363
	224,034	281,757
Equities		
Canada	130,270	216,778
Global	91,177	134,639
Non-North American	66,196	101,071
U.S.	66,707	84,685
	354,350	537,173
Inflation sensitive		
Real estate	30,272	–
Infrastructure	22,200	–
	52,472	–
	$ 636,691	$ 824,840

Short-term securities (in thousands)

The Plan invests in short-term securities that have an R1 (high quality) or equivalent rating. At December 31, 2008, the Plan held Canadian dollar denominated investments of $5,835 (2007 - $5,910) maturing within 36 to 92 days (2007 - 52 to 122 days) at yields of 0.8% to 0.9% (2007 – 3.8% to 4.6%).

Bonds (in thousands)

The Plan's bond portfolio is invested as follows:

(in thousands)

		2008		2007	
	Years to maturity	Market value	Average yield (%)	Market value	Average yield (%)
Federal bonds	1-5	$ 37,966	3.69	$ 101,843	4.30
	6-10	451	4.25	–	–
	20+	2,062	5.00	24,688	5.38
		40,479		126,531	
Provincial bonds	1-5	12,561	5.73	12,813	5.70
	6-10	16,827	4.71	25,293	5.09
	11-15	13,593	7.03	12,030	6.23
	16-20	5,741	5.55	2,441	4.45
	20+	24,199	5.43	28,286	5.62
		72,921		80,863	
Corporate bonds	1-5	53,220	5.04	33,333	5.09
	6-10	30,831	5.20	21,302	4.88
	11-15	6,927	5.80	5,452	5.52
	16-20	1,498	6.96	1,110	8.29
	20+	18,158	5.81	13,166	5.59
		110,634		74,363	
Total bonds		$ 224,034		$ 281,757	

Federal and federally guaranteed bonds have a credit rating of AAA. Provincial and provincially guaranteed bonds have a credit rating range of BBB to AA. Corporate bonds have a credit rating range of BBB to AAA. The Plan has established quality standards for corporate fixed income issues as follows:

Debt rating	Maximum % of fixed income portfolio	December 31, 2008		December 31, 2007	
BBB	20%	$ 4,501	2%	$ 2,912	1%
A	40%	72,221	32%	60,198	21%
AA or higher	No limit	147,312	66%	218,647	78%
		$ 224,034	100%	$ 281,757	100%

Equities (in thousands)

The Plan's equity investments are held as portfolio investments and are generally readily marketable. In 2008, the Plan held $354,350 in equities. Of this total, 37% or $130,270 of the Plan's equities were invested in Canada, with the remaining 63% or $224,080 invested outside of Canada. In 2007, the Plan held $537,173 in equities. Of this total, 40% or $216,778 of the Plan's equities were invested in Canada, with the remaining 60% or $320,395 invested in mandates outside of Canada.

Investments are generally limited to stocks that are publicly traded on a recognized stock exchange. The Plan's equities include common shares that have no fixed maturity date and are generally not directly exposed to interest rate risks. Dividends are generally declared on a quarterly basis.

The following is a breakdown of specific equities held in the Plan as at December 31, 2008, with a market value exceeding $5,000:

CORPORATE SHARES (in thousands)	SHARES/UNITS	MARKET VALUE
Toronto Dominion Bank	148	$ 6,447
Encana Corporation	110	6,282
Nexen Inc.	267	5,736
Royal Bank of Canada	159	5,724
Bank of Nova Scotia	171	5,688
Potash Corporation of Saskatchewan	61	5,471
SNC-Lavalin Group Inc.	131	5,192
Total		$ 40,540

Real estate (in thousands)

During the year, the Board approved a 5% allocation of Plan assets to real estate. The fund is a Canadian based real estate pooled fund that is diversified through all parts of Canada and holds office, retail and industrial properties. In 2008, the Plan held $30,272 in real estate. At present, the Board has elected to receive monthly income distributions in the form of additional units. The portfolio is revalued quarterly by an outside, independent appraisal agency.

Infrastructure (in thousands)

During the year, the Board approved a 5% allocation of Plan assets to infrastructure. This allocation is split between two funds, one based primarily in Europe and the other focused on the United States and Canada. In the Macquarie European Infrastructure Fund, a total of 11,250 EUR ($19,603 CAD) based on the value of the Canadian dollar as at December 31, 2008, was committed. Of this total, 10,122 EUR ($17,259 CAD) was invested at year end. In the Macquarie Infrastructure Partners II fund, a total of $15,000 USD ($18,369 CAD) was committed. Of this total, $4,033 USD ($4,941 CAD) was invested at year end.

Pooled funds (in thousands)

A pooled fund is a group of individual securities managed by an investment manager and is considered an equity investment in terms of the Plan's overall asset mix. The unit price of the pooled fund is determined by the overall performance of each of the stocks in the fund. In 2008, the Plan held $167,499 (2007 - $193,152) in pooled funds. The following is a breakdown by investment manager of pooled fund assets in Canadian dollars held in the portfolio:

(in thousands)	2008		2007	
	Investments	**% of plan investments**	Investments	% of plan investments
Barclays Global Investors	**$ 66,707**	**10.5**	$ 84,685	10.3
Greystone Managed Investments Inc. [1]	**66,196**	**10.4**	101,071	12.3
Greystone Managed Investments Inc. [2]	**30,272**	**4.8**	–	–
Jarislowsky Fraser [3]	**4,324**	**0.7**	7,396	1.0
Total pooled fund assets	**$ 167,499**	**26.4**	$ 193,152	23.6

1 Greystone Managed Investments Inc. has delegated the management of these funds to Goldman Sachs and Hansberger Global Investors.

2 In 2008, the Board selected Greystone Managed Investments Inc. to manage a Canadian real estate portfolio for the Plan.

3 The Jarislowsky Fraser Special Equity Pooled Fund is a fund managed by Jarislowsky Fraser Ltd. and used to purchase less liquid, smaller or special Canadian equity positions.

4. FINANCIAL RISK MANAGEMENT (IN THOUSANDS)

a) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by diversifying its investments in both domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

Interest rate

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. Interest rate risk is managed by investing in a portfolio of fixed term securities with varying durations. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. The value of liabilities, as measured in current dollars, is subject to fluctuations of long-term interest rates.

An increase of 100 basis points in interest rates as at December 31, 2008, would have decreased the value of the Plan's bond portfolio by $12,570 (5.58%). A decrease of 100 basis points in interest rates as at December 31, 2008, would have increased the value of the Plan's bond portfolio by $14,395 (6.39%).

Foreign currency

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of investments. In 2008, the Plan held investments denominated in foreign currencies. The exposure in Canadian dollars is as follows:

(in thousands)	2008		2007	
	Investments (CAD dollars)	**% of plan investments**	Investments (CAD dollars)	% of plan investments
Global equities [1]	**$ 91,177**	**14.3**	$ 134,639	16.3
Non-North American pooled fund [2]	**66,196**	**10.4**	101,071	12.3
U.S. equities [3]	**66,707**	**10.5**	84,685	10.3
Infrastructure [4]	**22,200**	**3.5**	–	–
Total foreign currency exposure	**$ 246,280**	**38.7**	$ **320,395**	38.9

1. Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

2. These assets are pooled equity funds and are part of the Greystone Managed Investments Inc. mandate. The management of these funds has been delegated to Goldman Sachs and Hansberger Global Investors.

3. These assets are pooled U.S. equity funds which Barclays Global Investors manages.

4. In 2008, the Board selected Macquarie Capital Markets Canada Ltd. to manage infrastructure assets for the Plan. The allocation was split between two funds, one European based and the other focused on the United States and Canada.

The foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

(in thousands)	2008	2007
Currency	**Net exposure**	Net exposure
United States dollar	**$ 98,907**	$ 122,433
Euro	**59,738**	65,295
British pound sterling	**29,647**	46,987
Japanese yen	**18,023**	20,939
Swiss franc	**11,045**	12,568
Hong Kong dollar	**9,172**	15,759
Norwegian krone	**2,821**	6,379
Korean won	**2,549**	5,567
Australian dollar	**2,496**	5,194
Other	**11,882**	19,274
Total foreign currency exposure	**$ 246,280**	$ 320,395

Due to the number of different currencies held in the portfolio, it is difficult to assess the impact that a change in the value of one particular currency may have. However, in 2008 the value of the Canadian dollar, as compared to the United States dollar, weakened from $1.0120 as at January 1, 2008 to $0.8166 as at December 31, 2008. This change resulted in a foreign exchange gain of $23,139 on the Plan's USD denominated investments.

b) Credit risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe these securities are based on the Dominion Bond Rating Service. For further information on the credit ratings of the bonds held in the Plan, refer back to *Note 3*.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan manages liquidity risk by maintaining adequate cash and short-term securities and monitoring actual and forecasted cash flows to support the Plan's operating needs.

5. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing. On an annual basis, an actuarial valuation for accounting purposes is prepared as at September 30 by Aon Consulting Inc. and then extrapolated to December 31.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial deficit for accounting purposes.

The assumptions used in determining the actuarial value of accrued pension benefits may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2008	2007
Discount rate	**7.50%**	5.75%
Expected rate of return on Plan assets	**6.75%**	6.75%
Long-term inflation rate	**2.50%**	2.50%
Long-term rate of compensation increases	**3.50%**	3.50%
Assumption for benefit increases (% of CPI)	**70.00%**	70.00%
Remaining service life (years)	**2.56**	3.22

6. RELATED PARTY TRANSACTIONS (IN THOUSANDS)

a) Administration

As indicated in *Note 7*, certain administration costs are paid by the Corporation.

b) Investments

	2008		2007	
	Investments	**Investment income**	Investments	Investment income
Province of Saskatchewan bonds	**$ 6,680**	**$ 245**	$ 2,195	$ 153

7. ADMINISTRATIVE EXPENSES (IN THOUSANDS)

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. However, investment management, custodial and consulting fees are paid by the Plan. In 2008, the Corporation paid $171 (2007 - $214) for costs relating to the Plan. These figures do not include salaries paid to employees of SaskPower who serve as staff advisors or administrators of the Plan.

b) Investment management services

Greystone Managed Investments Inc., Jarislowsky Fraser Ltd., Templeton Management Limited, Barclays Global Investors and Macquarie Capital Markets Canada Ltd. were contracted to invest the monies of the Plan during the year.

The Board has developed, with the assistance of its consultant, Hewitt Associates, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions.

c) Custodian services

The custodian for the Plan assets is responsible for the safekeeping of all assets and property of the Plan; processing and handling investment transactions; reviewing and documenting investment compliance by managers; and providing SaskPower with detailed reports identifying the specific assets held in the Plan. Custodian services were provided by RBC Dexia Global Services.

d) Board Member training

The Board has established a training budget, allowing up to $42 (on average, $6 per Board Member) to be used for training on investment performance, risk management, asset allocation and governance. This training helps Board Members remain up to date on various issues that relate to prudent Plan management.

In 2008, Board Member training costs totalled $17 (2007 – $15).

8. INVESTMENT PERFORMANCE (IN THOUSANDS)

The investment manager makes the day-to-day decisions on buying or selling specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the DEX Universe Bond Index; TSX Composite Index; Morgan Stanley Capital International, Europe, Australia, Far East Index; Morgan Stanley World Index; S&P 500 Index; Investment Property Databank; and a Consumer Price Index plus acceptable return approach. The primary long-term investment objective for the entire portfolio is to out-perform a benchmark portfolio. If achieved, the return on this balanced portfolio would provide the necessary return to fund the pensions promised with an acceptable level of risk.

The following is a summary of the Plan's investment performance as provided by Hewitt Associates:

Rates of return (%)	**2008**		2007	
	Investment return	**Investment benchmark return**	Investment return	Investment benchmark return
Fixed income	4.9	**6.4**	3.4	3.7
Canadian equity	(31.0)	**(33.0)**	10.5	9.8
United States equity	(21.2)	**(21.2)**	(10.5)	(10.5)
Non-North American equity	(34.2)	**(29.2)**	(2.1)	(5.7)
Global equity	(30.7)	**(25.6)**	(0.9)	(8.2)
Plan's actual rate of return	(17.7)	**(16.3)**	2.0	0.4
Four year rolling average return	2.5	**1.5**	10.3	8.4

In 2008, the Plan had a decrease to the market value of its investments of $168,273. Unrealized market value losses of $217,764 were partially offset by foreign exchange gains of $46,273 and a realized market value gain on investments of $3,218. This foreign exchange gain was partially due to the decline of the Canadian dollar versus the United States Dollar, the Euro and the Japanese Yen. Of the $46,273 in foreign exchange gains noted above, $40,756 or 88% of the total related to these three currencies.

In 2007, the Plan had a decrease to the market value of its investments of $20,984. Unrealized market value losses of $23,549 and foreign exchange losses of $42,728 were partially offset by a realized market value gains of $45,293.

FIVE-YEAR REVIEW
NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND (DEFICIT)/SURPLUS

(in thousands)

As at December 31	**2008**	2007	2006	2005	2004
Assets					
Investments, at market					
Short-term securities	**$ 5,835**	$ 5,910	$ 5,045	$ 5,892	$ 86,917
Bonds	**224,034**	281,757	272,835	262,743	249,242
Equities	**354,350**	537,173	570,608	502,664	380,052
Real estate	**30,272**	–	–	–	–
Infrastructure	**22,200**	–	–	–	–
	636,691	824,840	848,488	771,299	716,211
Receivables					
Employees' contributions	**41**	43	44	43	38
Sponsors' contributions	**50**	55	49	49	43
Accrued investment income	**2,134**	2,191	2,533	2,180	2,422
Other receivables	**980**	243	5,284	19	425
	3,205	2,532	7,910	2,291	2,928
Cash	**802**	–	770	499	838
Total assets	**640,698**	827,372	857,168	774,089	719,977
Liabilities					
Accounts payable	**1,006**	1,466	5,581	997	1,124
Net assets available for benefits	**$ 639,692**	$ 825,906	$ 851,587	$ 773,092	$ 718,853
Accrued pension benefits and (deficit)/surplus					
Accrued pension benefits	**$ 717,342**	$ 830,041	$ 838,763	$ 769,913	$ 718,991
(Deficit)/surplus	**(77,650)**	(4,135)	12,824	3,179	(138)
Accrued pension benefits and (deficit)/surplus	**$ 639,692**	$ 825,906	$ 851,587	$ 773,092	$ 718,853

FIVE-YEAR REVIEW
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands)

As at December 31	2008	2007	2006	2005	2004
Increase in net assets					
Investment income					
Interest					
Short-term securities	**$ 393**	$ 224	$ 254	$ 1,688	$ 1,340
Bonds	**13,043**	12,484	12,095	11,462	11,334
Miscellaneous income	**–**	–	–	–	13
	13,436	12,708	12,349	13,150	12,687
Dividends	**12,959**	25,357	15,308	10,019	8,125
	26,395	38,065	27,657	23,169	20,812
Increase in market value of investments	**–**	–	92,903	66,733	47,349
Contributions					
Employees'	**1,536**	1,663	1,711	1,652	1,697
Sponsors'	**452**	465	453	5,198	7,536
	1,988	2,128	2,164	6,850	9,233
Total increase in net assets	**28,383**	40,193	122,724	96,752	77,394
Decrease in net assets					
Decrease in market value of investments	**168,273**	20,984	–	–	–
Superannuation allowances	**44,556**	42,767	41,708	40,486	39,543
Transfers and refunds on terminations	**–**	–	552	167	788
Administrative expenses	**1,768**	2,123	1,969	1,860	1,772
Total decrease in net assets	**214,597**	65,874	44,229	42,513	42,103
Changes in net assets	**(186,214)**	(25,681)	78,495	54,239	35,291
Net assets available for benefits, beginning of year	**825,906**	851,587	773,092	718,853	683,562
Net assets available for benefits, end of year	**$ 639,692**	$ 825,906	$ 851,587	$ 773,092	$ 718,853

GLOSSARY

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's costs for future employee's benefits. Examples of these estimates are: rates of return on Plan assets, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age; ending upon the age when OAS full CPP benefits start.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The CPI measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Defined contribution plan
Pension plan that specifies the amount to be contributed to the plan. Contributions and time period determine the benefit.

Equities
Common stock or ownership in a company.

Fair value
Dollar amount that two parties consider appropriate for a transaction.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Futures
Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

Standard & Poor's (S&P) 500
Comparison portfolio made up of common stocks that are used to measure performance of other stock funds.

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Powering the future

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